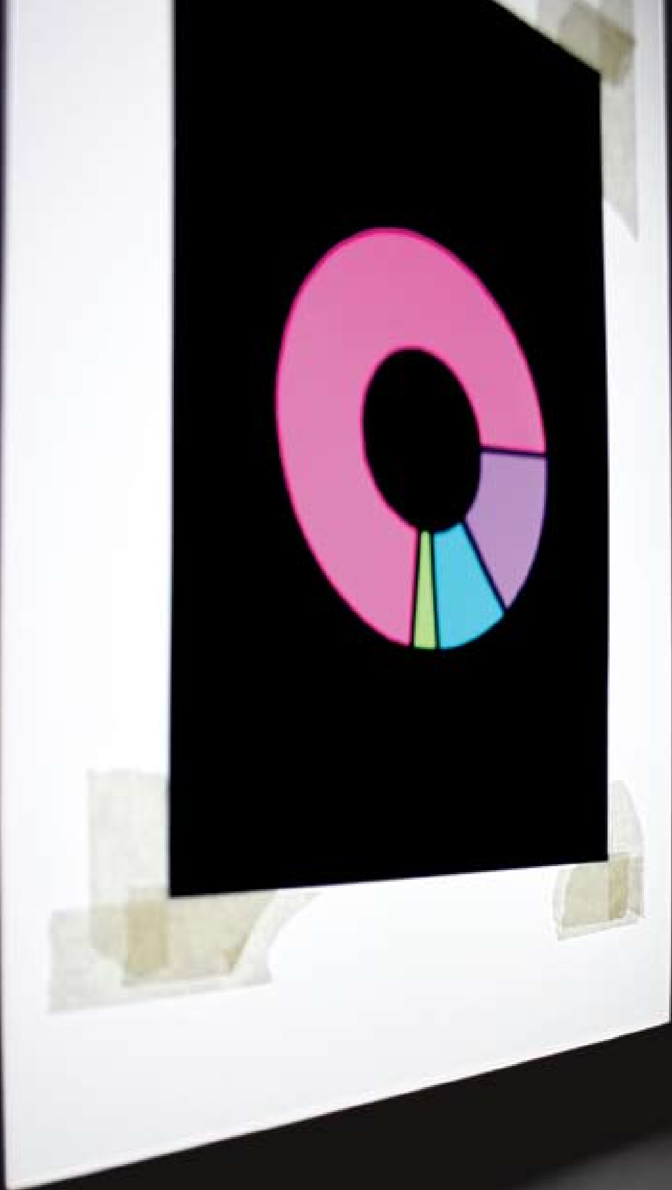
Arts
&Business

Private investment in culture 2009/10
What next for the arts?



Tina Mermiri
Research Manager

Jonathan Tuchner
Press and Public Affairs Director

Published in 2011
A catalogue record for this report
is available from the British Library
ISBN: 978-0-9567522-0-8

Nutmeg House, 60 Gainsford Street
Butler's Wharf, London SE1 2NY

Contents

Foreword

This is a pivotal time for the arts and cultural sectors. We appear more united in a strategic ambition to grow the contribution of the private sector to UK arts and culture than before. Much of what Arts & Business has pushed and argued for is now being adopted.

Our private investment in culture figures are the clearest benchmark for the long-term health of our sector. We always set great store by these figures. This research will help answer some of the pertinent questions around current levels of private investment and the trends that influence these most. Our interactive map and new benchmarking tool will bring these stories to life and allow our stakeholders to interrogate the figures in a way that is easy and meaningful for them. We must thank everyone who contributed to the body of research, as we have had the best response rate in our 35-year history.

This analysis provides the baseline for our collective future direction. There is individual cultural philanthropy in the regions, but at a very low level – our challenge is to grow it. Can we ask for new tax breaks when we effectively do not understand and use our existing tax incentives?

Our data clearly shows that business is not hard-wired to give to the arts. Business is only hard-wired to make profit. Over the course of the recent recession, the value of these business partnerships has fallen year-on-year. Arts & Business knows that it is always hard to convince business to work with the arts; to convince them when times are tight is harder. But we also know that if you get the arguments right, and if you focus on the needs of the business, sponsorship will pay dividends. The Government has named 2011 as the Year of Corporate Philanthropy – collectively we need to make this a game-changer.

We can use this year to inspire businesses to collaborate with the arts, not just because it is a worthwhile endeavour, but because there is a clear business rationale for doing so. We plan to continue to play our part, knocking on doors, selling the right cultural offer, analysing the right business solution, celebrating their partnerships, highlighting best practice and proving the benefit of engaging with the arts. Be clear – most of this activity and amplification is about benefit; it is sponsorship.

The motivations for cultural philanthropy are different. They are led by passion, interest or need. But whatever cause philanthropists are supporting, they still have objectives, still have hopes that need to be fulfilled and those need to be addressed by their arts partner.

In truth our initial feeling on seeing these figures was one of relief. Taken at the very peak of the recession, they could have been so much worse. Yet they clearly show how much work still has to be done to make our cultural and commercial worlds connect and come closer together.

We still collectively need to nourish all forms of private sector investment; in particular, if we neglect corporate sponsorship we will damage the whole cultural ecology. Arts & Business is here to work alongside our cultural and commercial partners every step of the way. We remain committed to doing all we can to make sure the two sectors continue to profit from one another.

Internationally the UK's mixed cultural ecology is viewed with a hint of envy. Yet our mix is changing. Maybe we are seeing the private sector emerging as the most powerful funding force of the future.

Whatever the type of private sector money, individual, trusts and foundations or corporate, there is no magic bullet – only tenacity, confidence and skill will grow private investment in culture.

Colin Tweedy
Chief Executive of Arts & Business

Key findings

3% Private investment decreased by 3% in real terms to £658m in 2009/10

16% Private investment now accounts for 16% of total income for the arts and cultural sector

68% 68% of private investment is concentrated in London

72% 72% of private investment is concentrated in major organisations

38% 38% of the sector still receives no private investment

11% Trusts and foundations invested £154.6m after an 11% increase and hence overtook business investment for the first time since 2004

45% 45% of arts fundraisers expect private investment to increase in the next financial year, as their fundraising activities and programmes become more attractive

Business investment fell another 11% for a third consecutive year of decrease and now stands at £144.1m

11%

Cash sponsorship and corporate donations have decreased, where as in-kind sponsorship and corporate memberships have increased

52% of business investment goes to London

52%

The financial services are still the biggest business investors in the arts, but have been decreasing the value of investment consistently for the past three years

Individual philanthropy decreased by 4% though still accounts for the majority (55%) of investment with £359.3m

4%

Individual donations and Friends/membership schemes have decreased, in contrast to income from legacies which has experienced a significant increase (25%)

25%

Individual philanthropy is highly concentrated in London and major organisations (83% and 88% respectively)

83%
88%

Introduction

In the past ten years, private investment (PI) has generally followed an upward trend, driven primarily by a particularly rapid growth in individual philanthropy. The growth has mostly been organic and market-driven, following the recognition that investing in the arts can also lead to several benefits for businesses and individuals as well as, of course, for the cultural sector.

The most recent figures for private investment in culture correspond to the financial year 2009/10 (running between April 2009 to March 2010), which for many was considered the height of the recession. In this light, 2009/10 was undoubtedly going to be a difficult year for the arts as the impact of the recession was still felt, particularly in the private sector. More specifically, in November 2009, our business contacts had predicted that 2010 would be the worst year for business investment in the arts, which it was.

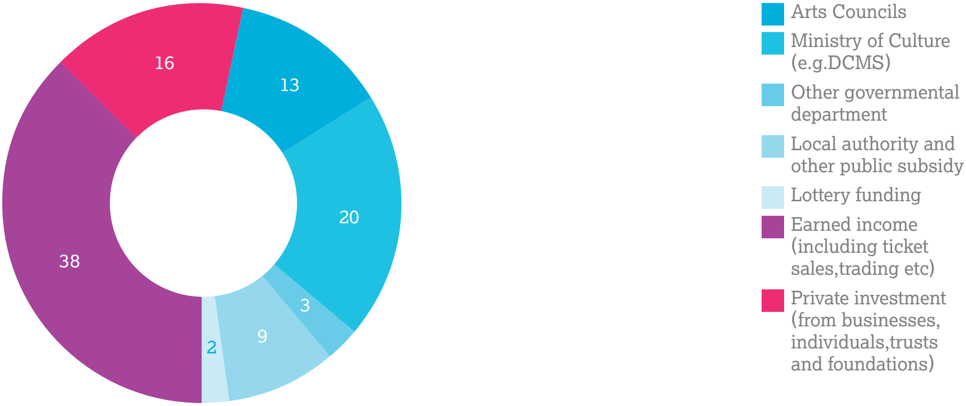
The overall private investment decrease of 3% (above inflation) is driven primarily by the large 11% decrease of business investment but also by a moderate decrease of individual giving by 4%. However, this has almost been offset by a positive 11% growth in funding from trusts and foundations.

These results will cast renewed pressures on the arts, as they expect to increase their income from private sources, at a time when this too is decreasing alongside other sources of funding.

However, again according to our November 2009 business survey, we can expect and hope that private investment will increase in 2010/11 and will continue to experience modest and sustainable increases through to 2013, which is when business investment and philanthropy in the arts is expected to return to pre-recession levels. With the right mechanisms and interventions, this is possible.

It is also very important to note, however, that despite decreases (in some cases significant) of overall private investment for 2009/10, there have been several very encouraging success stories around the UK and across most artforms, some of which we aim to explore below and on our website.

The tripod economy



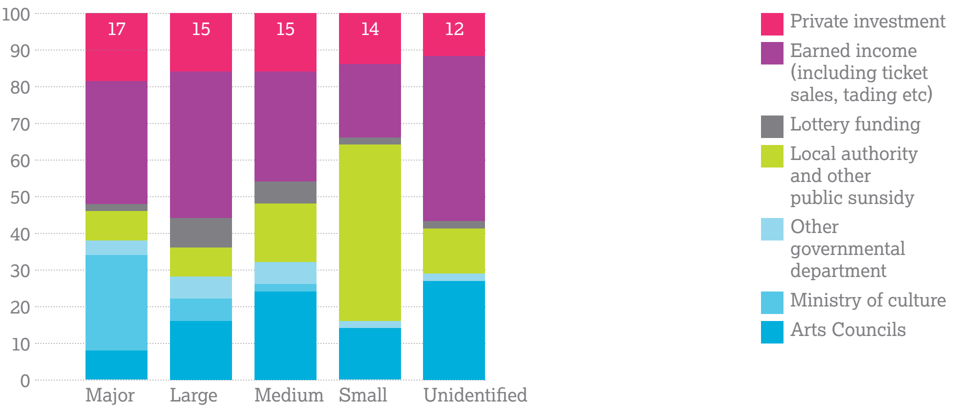
Though private investment has decreased in the sector, as a proportion of total income it is at similar levels to the year before at 16%. At the same time, there has been a decrease in the proportion of public funding, now accounting for 47% of total income (from 52% in 08/09), which has been coupled with an increase of earned income from 33% in 08/09 to 38% in 09/10.

However, again we see that the tripod economy and income composition for the sector are very different according to the nature of the organisation; this is particularly evident when using size as the differentiator.

To clarify, the analysis of the tripod economy and the figures above are based only on the 1000 or so organisations that responded to our survey. Because we can't assume that these percentages can just be applied to cover the whole sector and all the organisations we include for the rest of the analysis (see methodology for more detail), they are referenced in percentages rather than in GBP.

This therefore serves as an indication of the trends. It is worth noting however, that though this analysis is based on actual responses, which are representative and more-or-less consistent year-on-year, in 09/10 we included a major organisation that was not included in 08/09 and which therefore slightly skews the year-on-year comparison of the tripod economy.

Income sources according to size (%)

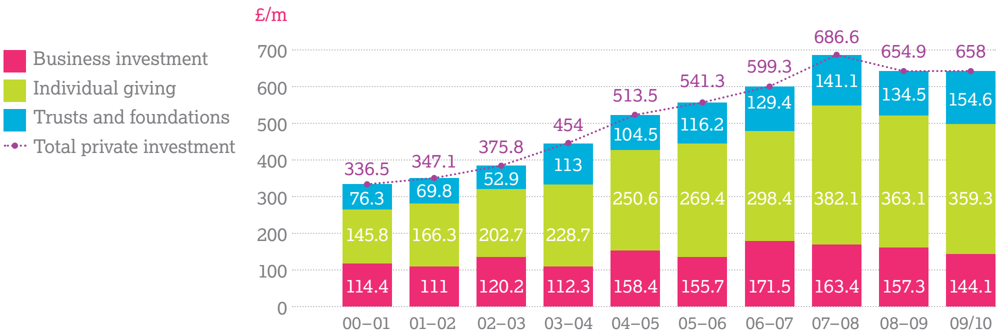


Private investment

In the past ten years, the growth trend for private investment in the arts has been very positive but has, however, been interrupted in the past two years with decreases from various sources of investment. In 2009/10, private investment therefore reached £658 million, which translates to a 3% decrease from the previous year in real terms.

NB. The year-on-year (YOY) percentage changes and, in this case, decreases, have been calculated above inflation (3.4% based on CPI according to the Office for National Statistics) and therefore at times don't reflect actual nominal increases. Above inflation calculations for YOY changes have been consistent with our analysis on an annual basis and are therefore more comparable.

Private investment year-on-year

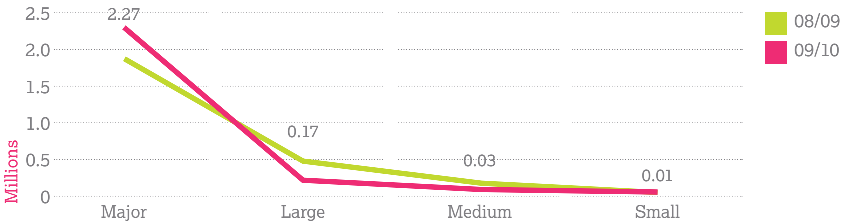


Though there was an overall decrease of private investment, this was primarily driven by decreases in investment received by major and large organisations.

Size (according to annual turnover)	% change (above inflation) 09/10	PI received
Major (over £5 million)	-3	474,356,513
Large (£1 million – £4.9 million)	-6	95,443,775
Medium (£100k – £999.9k)	-1	74,717,173
Small (less than £99.9k)	+2	12,551,530

The average amount of private investment received by the sector was £140,000, though this varies significantly according to various factors, such as size.

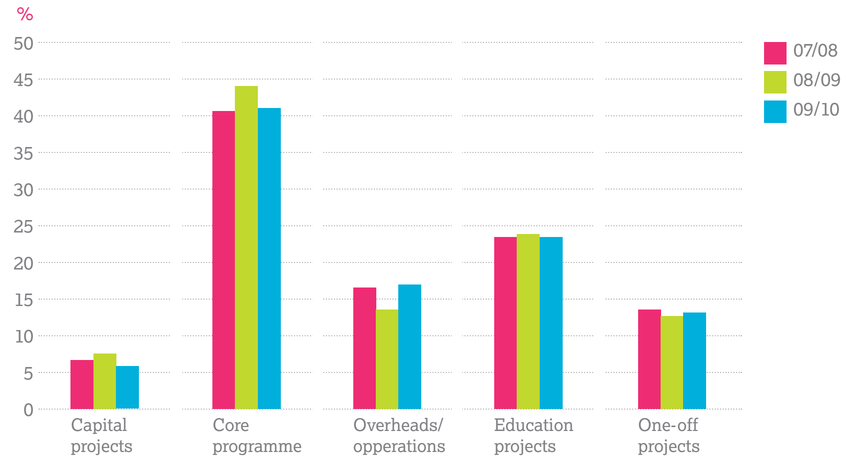
Average PI (£)



Even though private investment decreased for major organisations, the average investment they received went up from the year before.

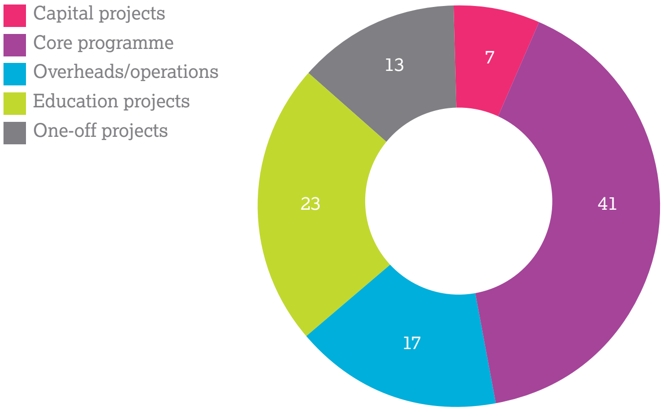
Use of private investment

Private investment received is consistently directed primarily towards the core programme of recipient organisations.



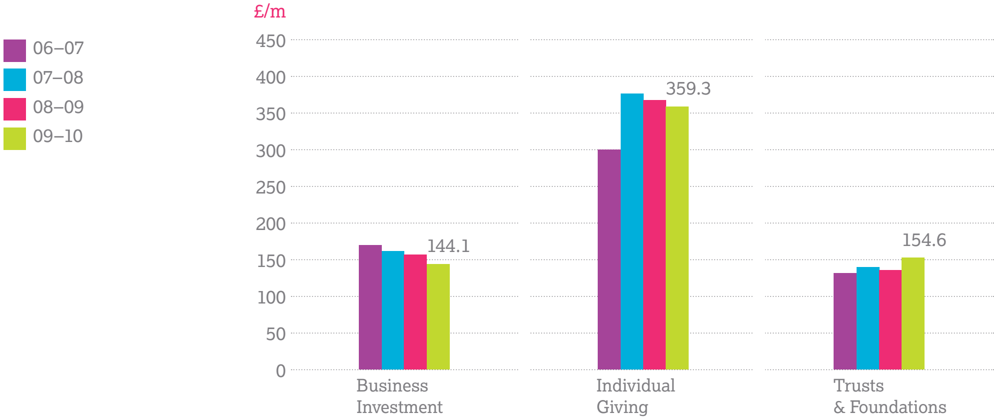
However, a larger percentage of private investment seems to be directed towards overheads and operation costs than last year.

Distribution of private investment 09/10 (%)



Where private investment is coming from

Though private investment is only one third of the tripod economy, it is also made up of a further three main sources, namely businesses, individuals and trusts and foundations.



The majority of private investment consistently comes from individuals, with businesses and trusts and foundations accounting for similar amounts.

Investment type	Sum (£/millions)	% change (above inflation)	Actual y-o-y change (£)	% of PI
Business investment (BI)	141.5*	-12	-15,807,805	22
Individual giving (IG)	359.3	-4	-3,749,635	55
Trusts and foundations (T&Fs)	154.6	+11	20,019,588	24
Total private investment (PI)*	655.4	-3	462,149	100

*Please note that overall business and private investment does not add up to the breakdown of business investment according to region, artform and size (see below), because an extra lump sum of £1 million has been added to account for business investment going towards arts prizes and awards that are not connected to any specific arts organisation.

Business investment

The trends in business investment show that this source of income can be quite temperamental and, furthermore, very much influenced by external factors such as fluctuations in the economy or even business performance. This is evident in the annual decrease in business investment in the past three years, most of which can be attributed to the recession. However, 2009/10 saw the largest decrease in this source of income, which is very much in-line with the predictions of our business contacts, who had suggested in a previous survey conducted in November 2009 (Market Trends 2009), that 2010 would be the worst year for business investment in the arts. This also seems to somewhat mirror the 12% decrease of business investment in the last recession in 1991.

However, what this shows is that though businesses are still committed to working with the arts, they are not hard-wired to do so and for many this is still considered a discretionary and unsustainable spend – particularly in hard times. As a result, business investment in 2009/10 (£144 million) is now lower than it was in 2004/05 (£158 million).

Having said that, and despite the moderate but steady decline of business investment in the past three years, there are a number of businesses that are still very much committed to working with the arts in creative and innovative ways, and long-term, as is evident by the fact that there were still quite a few individual organisations across regions, artforms and size which experienced healthy increases in the amount of business investment they raised.

Key facts

Business investment now accounts for less than a quarter of private investment (22%)

The majority of business investment is concentrated in museums (15%), visual arts (12%) and festivals (11%)

Regionally, London, Scotland and the South East consistently attract the majority of business investment.

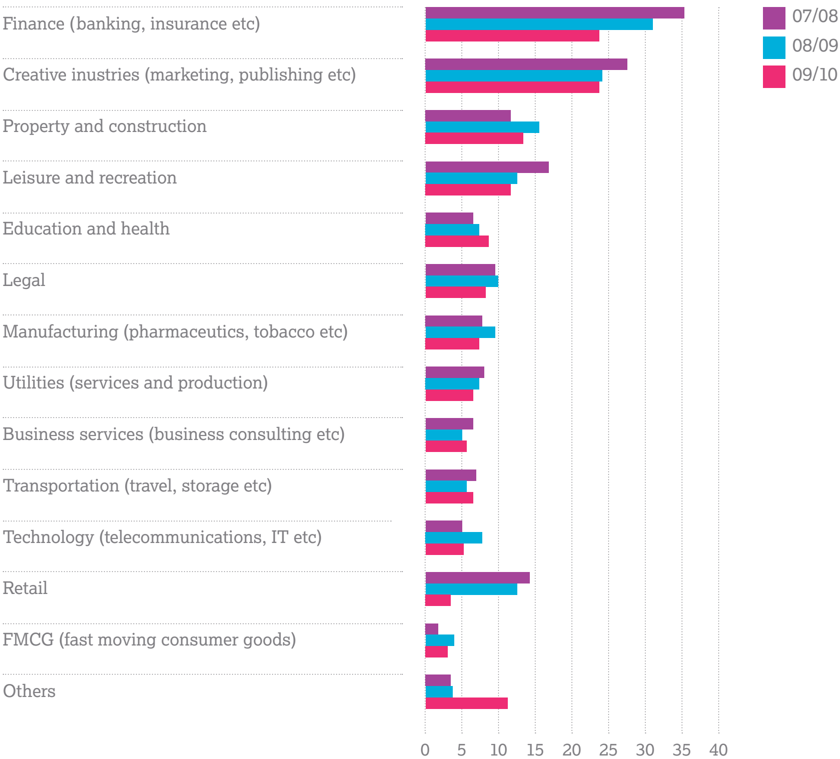
For more regional breakdowns please see below or visit the research section of our website for our new online interactive benchmarking tool: www.artsandbusiness.org.uk

Type of business investment

	08/09	09/10	% change
Cash sponsorship	59.1%	54.9%	-18
In-kind sponsorship	13.1%	16.1%	+8
Corporate membership	12.7%	14.8%	+2
Corporate donations (philanthropy)	15.1%	14.2%	-17
Total business investment	100%	100%	-11

Interestingly but understandably, cash sponsorship and corporate donations have decreased significantly in 2009/10, though in-kind sponsorship and corporate membership have increased. The reason why this is unsurprising is that both the options that have increased in value are those which are considered a cheaper entry point for the arts and an easier way to maintain the relationship with them, as well as reaping significant direct benefits.

Business sector breakdown (£/m)



The financial sector has clearly been leading in the field of investment in the arts, but evidently the amount which they are investing has been decreasing year-on-year for the past three years, which would therefore to a large extent account for the decrease in overall business investment, and cash sponsorship in particular.

The creative industries, including auction houses, advertising and design companies, have almost managed to maintain their levels of investment in the arts, and have therefore met the levels of the financial sector.

The two single sectors that have increased their investment in the past year are education and health and business services, though it seems that there are also businesses from other sectors that are becoming increasingly prominent players in the arts sponsorship landscape. These include hairdressers and estate agents/housing associations.

Retail is the single sector that has experienced the biggest decline in business investment to the arts since 2007/08, dropping from the top 5 to second before last in terms of arts investment.

Complemented by additional desk research we also find that FTSE listed companies are not as engaged with the arts as they could be, though they are in some ways best placed to be. Close to 30% of the FTSE 100 companies invested in the arts in the UK the past two years and only around 10% of the FT Global 500 invested in the arts during the same time frame.

Individual giving (philanthropy)

Philanthropy and individual giving are by nature quite unpredictable and difficult to sustain, particularly in the midst of a recession, as people's giving patterns react to external forces such as the economy and disposable income. Therefore, if business investment in the arts (whether for sponsorship or corporate social responsibility) is considered discretionary, this is also the case with individual philanthropy.

In this light, individual giving decreased for the second year in a row, continuing the interruption of its fast-paced growth since 2001. The 4% decrease, however, is slightly lower than the previous 7% decrease, bringing the levels of arts philanthropy down to £359.3 million, which is still higher than in 2007.

Even so, individual giving still accounts for the majority (55%) of private investment received in the sector.

Key facts

Heritage organisations, visual arts and museums still account for the majority of individual giving received in the sector

London accounted for 83% of individual giving received in the whole sector (still highly concentrated in a single heritage organisation).

Type of individual giving

Individual donations and income from Friends and membership schemes (27% and 49% respectively), account for the majority of individual giving, but decreased in 2009/10.

	08/09	09/10	% change
Individual donations	33.09%	27.08%	-22
Legacies	17.95%	23.37%	+25
Friends/membership schemes	48.16%	49.44%	-2
Gift of shares	0.80%	0.07%	-92
Give as you earn	0.00%	0.03%	+670
Total individual giving	100%	100%	-4

Encouragingly, income from legacies has increased significantly in the past year. Though the majority of organisations receiving income from this source were major, there were a few smaller organisations (including large, medium and small) that also received income from legacies for the first time.

Trusts and foundations

Funding from trusts and foundations was the single source of private investment that increased in 2009/10, and by quite a significant amount (11%), which therefore kept the overall private investment decrease moderate.

The increase in trusts and foundations funding, coupled with the decrease in business investment, means that trusts and foundations have now overtaken businesses in the amount of investment they give to the arts.

Excluding 2008/09, trusts and foundations have been steadily increasing their funding by moderate levels since 2004. With the most recent increase, funding from trusts and foundations has this year reached record levels.

Key facts

The artforms to receive most funding from trusts and foundations in 2009/10 were museums, visual arts and theatre organisations, as was the case the year before.

Funding from this source now accounts for 24% of the total private investment received in the sector and currently stands at £154.6 million.

No private investment

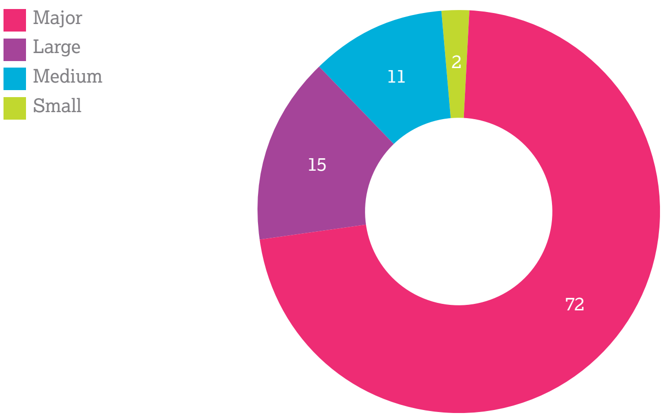
14% of our respondents received no private investment, which is a slightly higher percentage than those reporting that they received no private investment last year (11%). However, when extrapolating for the whole sector, we estimate that around 38% of the sector actually receives no private investment, a similar amount to last year (42% – see methodology chapter for explanation of difference between respondents and whole extrapolated sector).

Where private investment is going to

Distribution of PI

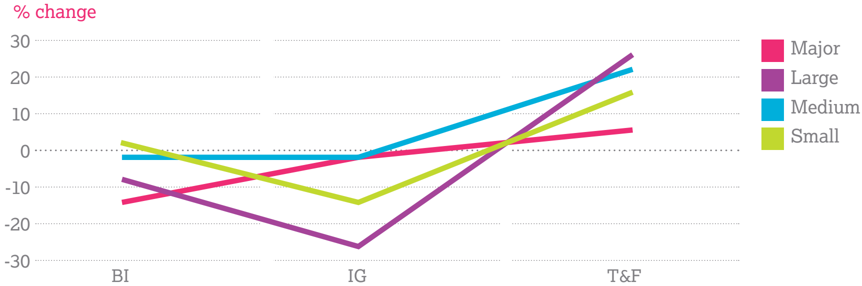
The distribution of private investment is heavily concentrated in major organisations, which collectively account for 72% of total private investment received – and only around 4% of the sector is considered a major organisation. Medium and small organisations, which combined make up 84% of the sector, received 13% of total private investment.

PI concentration (%)



Size

Private investment had different growth patterns for different sized organisations, though all experienced increases from trusts and foundations.



It is worth noting, however, that if we were to exclude one particular organisation's YOY figures from the major organisations' analysis, individual giving would have increased by 13% rather than decreased by 2%, as it receives a large amount of individual giving and any change in this can skew the overall figures significantly.

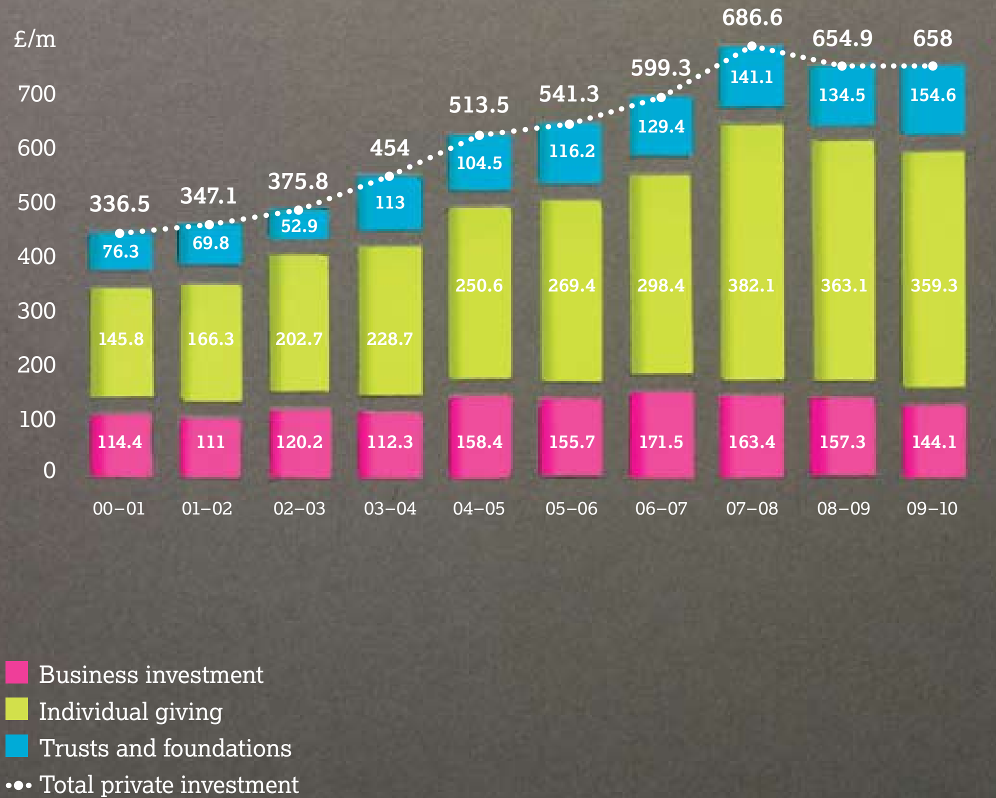
Artform

Almost half the artforms experienced increases, with the other half experiencing decreases in the amount of private investment received.

Artform	Private investment	% change (above inflation)	% of overall PI
Arts centre	17,270,448	-8	3
Arts services	19,697,363	-24	3
Community arts	21,087,797	+64	3
Crafts	889,113	+94	0
Dance	20,835,234	-8	3
Festival	26,003,009	+6	4
Film and video	11,565,421	-9	2
Heritage	209,655,086	-10	32
Library/archives*	8,372,435	+25	1
Literature/poetry	3,772,494	+9	1

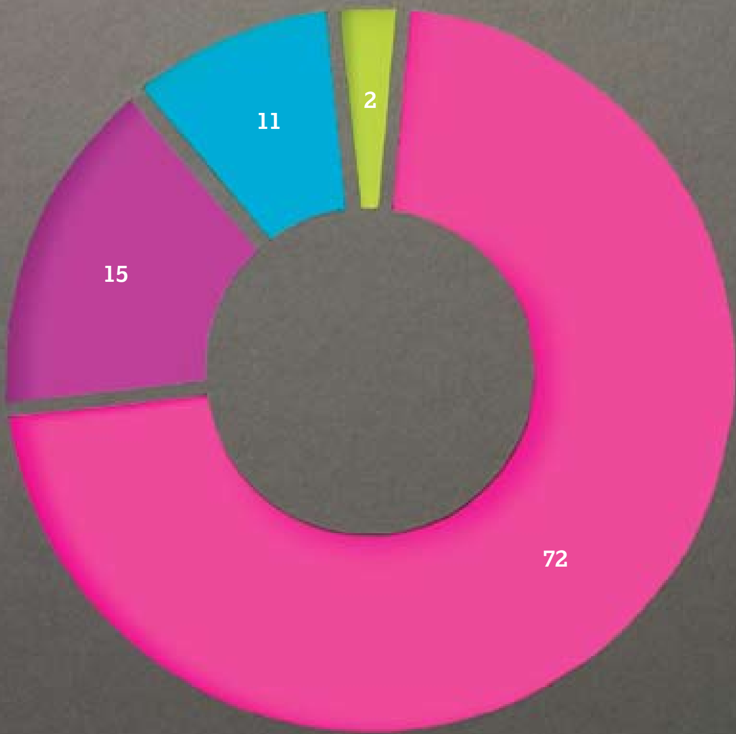
Continued on page 24

Private investment year on year



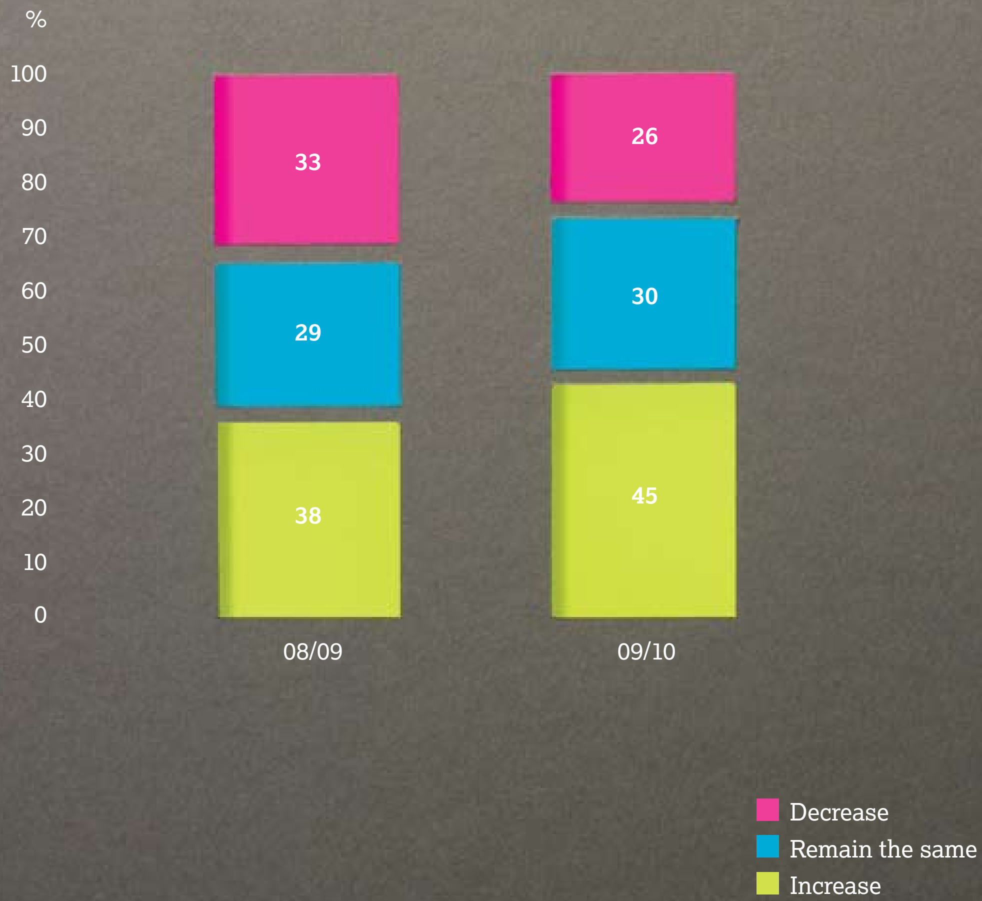
Where private investment is coming from

Private investment concentration (%)



Major
Large
Medium
Small

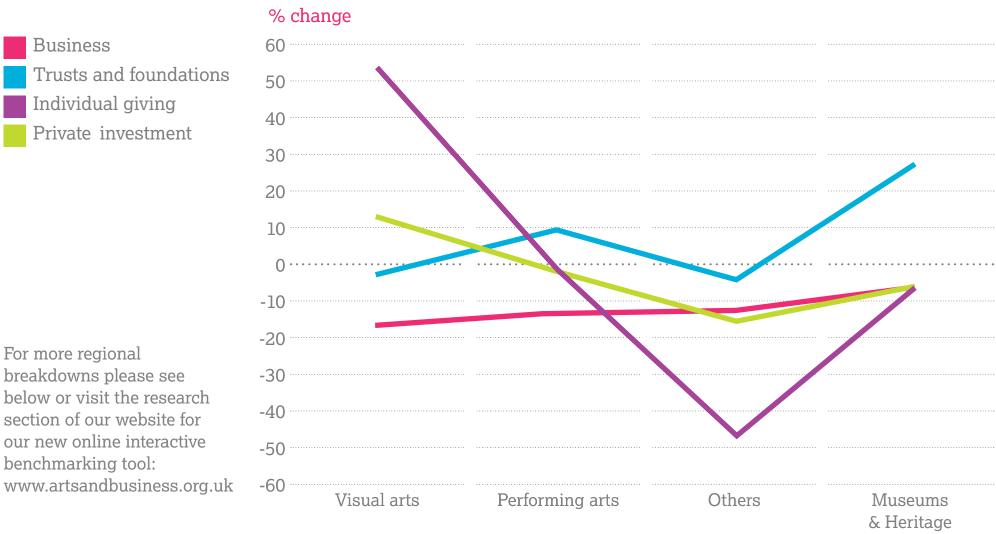
Future private investment



Artform	Private investment	% change (above inflation)	% of overall PI
Museum	94,720,307	+13	14
Music	38,130,282	-3	6
Opera	22,441,268	-19	3
Other combined arts	19,068,783	-52	3
Other single artform	4,748,445	-20	1
Theatre/drama	53,797,675	+13	8
Visual arts	85,013,598	+20	13

*NB. Our dataset only includes eight public (but not Local Authority) libraries.

Since much of individual giving is centralised in one particular heritage organisation, aggregating artforms and comparing year-on-year according to investment source provides a better benchmark for organisations. The aggregated artforms are performing, visual arts, other and heritage/museum, where the former three are most often publically funded by the Arts Councils, and the latter are funded through other sources (including central Government).



For more regional breakdowns please see below or visit the research section of our website for our new online interactive benchmarking tool: www.artsandbusiness.org.uk

Region

% change above inflation

Region

Excluding London and the nations, the English regions collectively experienced a private investment decrease of 2% – although, in isolation, more experienced increases than decreases.

Region	Private investment recieved	% change (above inflation)	% of overall PI
East	13,563,152	-18	2
London	448,056,662	-4	68
Midlands	20,098,531	+3	3
North East	13,934,487	+13	2
North West	20,611,568	+8	3
South East	32,858,162	-20	5
South West	22,158,397	+25	3
Yorkshire	18,407,564	+4	3
Scotland	41,715,742	+6	6
Wales	18,754,227	-10	3
Northern Ireland	6,910,265	+1	1

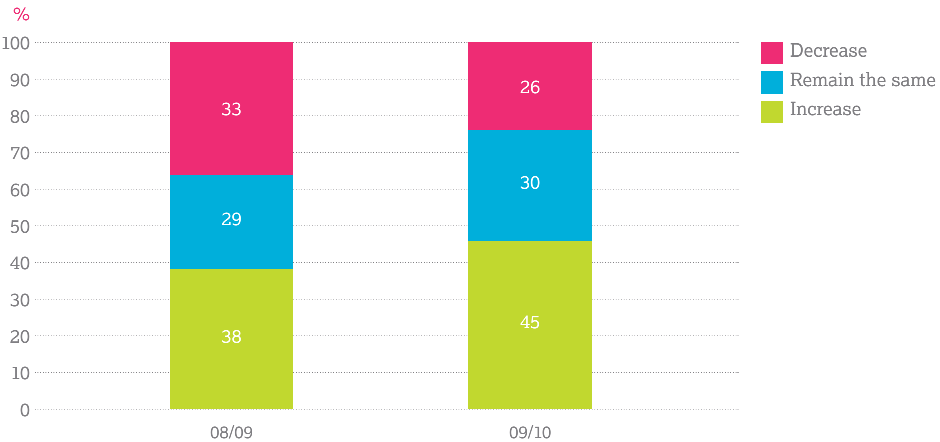
For more regional breakdowns please see below or visit the research section of our website for our new online interactive benchmarking tool: www.artsandbusiness.org.uk

Still focusing on the English regions as a collective (excluding London) and looking at the specific income sources of private investment, business investment and philanthropy seem to have been a hard ask for 2009/10, with 15% and 17% decreases respectively, though trusts and foundations funding increased by 28%.

Future private investment

There will be a lot more pressure for arts organisations to supplement more of their income from private sources in the next couple of years and around 70% of the sector therefore expects private investment to be more important in the future.

Several indicators, including Arts & Business' business contacts, are suggesting that 2010/11 will be a better year for private investment, which also seems to be reflected in our arts respondents' views, where 45% of fundraisers in the sector expect private investment to increase. This is a higher proportion than the year before.



The reasons cited for expected increase in private investment were primarily a change in fundraising functions (i.e. an increase in fundraising activities) and the quality and range of programmes that arts organisations will be offering.

On the contrary, of those who expect their investment to decrease, the majority (88%) attribute it to the wider economy.

Conclusion and comment

This is a time of flux for the UK's arts and cultural sector. We need to work collectively to grow all aspects of the cultural fundraising mix in sustained and rigorous ways. Though some sound principles hold true, each arts and cultural body has its own funding challenges and we should not believe any solution can work for all.

The effects of the cuts in funding will be more complicated than at first they might appear. There have been reductions in spending across the board and it has been estimated that one in six arts organisations may lose public funding altogether.

The interdependence of organisations, individual artists, companies and institutions on each other and their sources of funding are often intricate, so cuts to one part of the system will affect another. And with the issue of matching funding, there is the added danger that if one source is withdrawn another may be lost.

Our figures dampen the expectations of growth in this mixed funding environment – but only to an extent. Whilst private investment decreased on the whole in 2009/10, the decrease was more moderate than feared and so private investment in culture has remained quite steady even at the height of the recession. Our analysis identifies that the worst is over and we should anticipate growth.

This is our main reason for cautious optimism. As always Arts & Business' belief is that arts and cultural bodies can engage more with their audiences and the many people who make up the private sector in order to benefit – financially and creatively – from these relationships.

The Government has shown faith in the vital role the private sector plays to help arts bodies to diversify their income sources. At the same time business appears to be close to putting the financial crisis behind it, and business members expect these figures to be the low point of business engagement. A number have stayed close to cultural bodies as the increase in in-kind giving testifies. Specific sectors are returning to health including financial services – traditionally a huge source of funding – and more sectors are seeing the business value of arts engagement more clearly.

The contextual environment is conducive to growth, but we know that this will not be easy, particularly for smaller and regional organisations, which as we have exemplified are already challenged in raising levels of private investment similar to those in larger organisations. However, this is most often due to a lack of resources rather than skills as it is always labour intensive and time-consuming to convince businesses to work with the arts; to convince them when times are tight is harder. Proportional resources must therefore be allocated to this end, which will also be difficult considering other sources of income are decreasing too.

But we also know that if you get the arguments right, if you focus on the needs of the business, they will eventually return. We need to inspire businesses to collaborate with the arts, not just because it is a worthwhile endeavour, but because there is a clear business rationale for doing so. Arts & Business' cultural audit of the UK-based FTSE 100 shows that only around 30% of these businesses currently have dynamic arts strategies. Though this shows the market is far from saturated, convincing other businesses to join them will not be easy. Fundraising professionals also need to understand business thinking and their different objectives and simultaneously prove how they can help in achieving these.

Appendix

Methodology

Out of a population of approximately 4,500 arts organisations, we received close to 1,000 responses (a 20% response rate), making up a representative sample of organisations of all artforms and sizes and from all the regions and nations of the UK. This figure is consistent with our respondents from last year and we make sure that we have a consistent sample of organisations responding every year, so our year-on-year comparison is very reliable.

Our respondents provided us with exact figures for the private investment received by their organisation for the financial year 2009/10, which was then extrapolated to cover the whole of our original population base. Please note that we extrapolate only for figures on private investment and not other contextual questions we ask in the survey.

Private investment from our actual responses accounted for 80% of the total extrapolated figure, which included most major and large organisations and therefore makes the extrapolation method very robust.

The extrapolation method is based on a projected investment band that each organisation is placed within (there are eight bands ranging from nil to over £20 million). This in turn is based on the amount of private investment each organisation is expected to receive, informed by our regional colleagues' knowledge and relationship with these organisations.

The extrapolation process for organisations that haven't responded is then completed by developing a matrix on SPSS whereby their region, artform and band are used to calculate an extrapolated figure based on the actual responses.

Acknowledgements and contributions

We would like to thank Alan Joy, our external analyst, for his invaluable ongoing help and support with the analysis of the private investment in culture figures.

Many thanks also to go to Keith Nichol, Head of Philanthropy, DCMS and Jonathan Treadway and Rachel Smithies from Arts Council England, for their help and support with survey responses.

Last but not least, we would like to thank our respondents for their contribution to this research, without whom this report would not be possible.

Design, art direction
and process photography
Commercial Art

Chart and map
photography
Rachael Smith

Arts
&Business

Head Office
Nutmeg House
60 Gainsford Street
Butler's Wharf
London SE1 2NY

Telephone
020 7378 8143

Email
head.office@artsandbusiness.org.uk

President
HRH The Prince of Wales

Website
www.artsandbusiness.org.uk

Chief Executive
Colin Tweedy

Supported by
ARTS COUNCIL ENGLAND

THE PRINCE'S CHARITIES

dcms
department for culture, media and sport

ISBN: 978–0–9567522–0–8